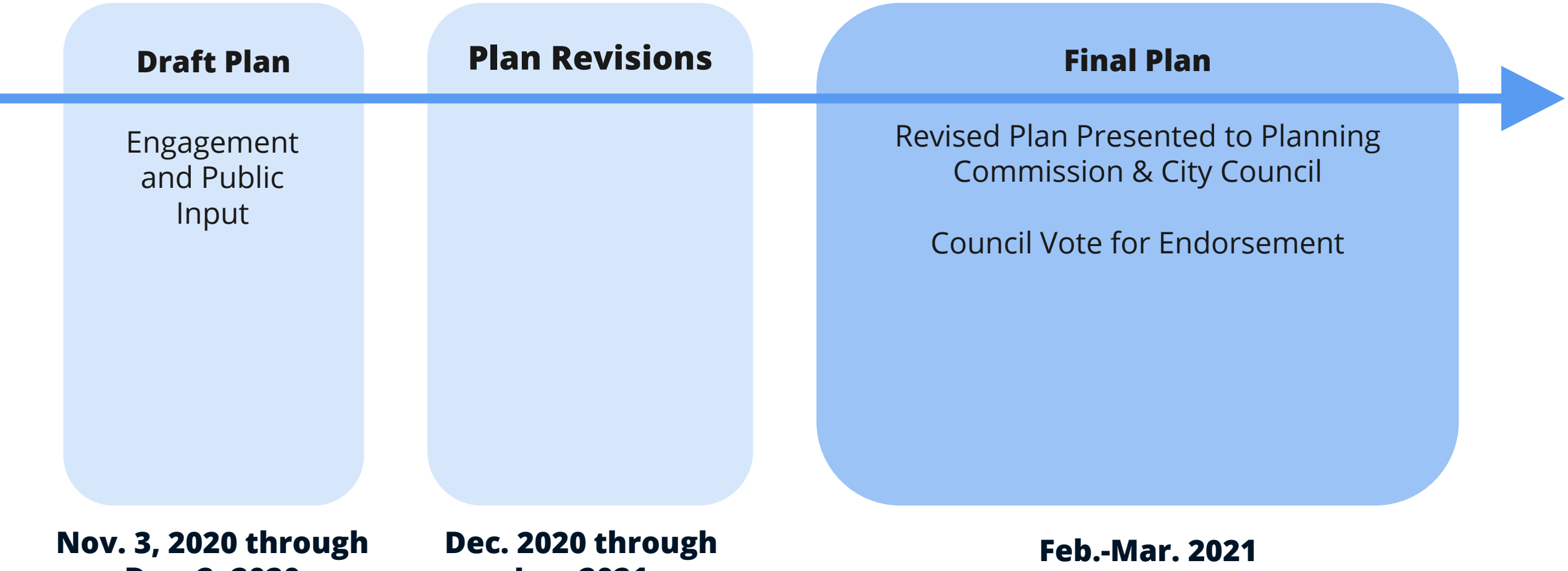
CITY OF CHARLOTTESVILLE AFFORDABLE HOUSING PLAN

Planning Commission Presentation

February 9, 2021

HR&A Analyze. Advise. Act.

The final plan includes revisions to the initial draft based on comments received by City staff, leadership, the public, and other groups.


Draft Plan
Engagement and Public Input
Plan Revisions
Final Plan
Revised Plan Presented to Planning Commission & City Council
Council Vote for Endorsement
Nov. 3, 2020 through Dec. 2, 2020
Dec. 2020 through Jan. 2021
Feb.-Mar. 2021

Summary of Changes to Final Draft

Most revisions were minor. Larger changes include clarifying & strengthening the draft to better align the plan's contents with its intended outcomes.

Clarified Language

Expanded Homeownership Tools

Additional Detail about Vulnerable Populations and Energy

Implementation Summary

The final draft clarifies language around the City's funding commitments and the relationship between recommendations and guiding principles.

Clarified Language

- Link between racial equity and homeownership
- Opportunities for regional collaboration
- Funding commitment from the City
- Developments receiving City assistance

Guiding Principles | Racial Equity

New page (25) highlights critical strategies to advance racial equity

To fully support racial equity and reverse the impacts of discrimination and segregation, **racial equity has to be considered as a part of the design of each recommendation, not as an afterthought or a separate plan**. The City can meet this challenge by creating programs that **directly address disparities and mitigate barriers** to accessing quality affordable housing, and by **establishing governance structures and processes that actively include Black, Indigenous, and People of Color (BIPOC) households**, particularly households impacted by disparities, in the decision-making process.

Critical Strategies to Advance Racial Equity

- **Homeownership** | Homeownership is a critical asset building opportunity for most households, and persistent disparities in homeownership rates by race illustrate the extent to which BIPOC households continue to face barriers in homeownership. Charlottesville should **reduce the racial wealth gap** through homeownership programs including **down payment assistance** (pages 135 – 139), **Section 8 voucher to homeownership** programs (page 140 – 141), **new approaches to mortgage financing** (page 142 – 144), and **single-family and soft density infill development** (page 145 – 146). In addition, to stem the decline in Black homeownership, the City should fund programs that **reduce costs for existing homeowners** such as **owner-occupied rehabilitation assistance** (pages 147 – 148) and **property tax relief** (pages 149 – 150).
- **Governance** | To reflect the needs and priorities of its community, the City's **governance structures need a diversity of perspectives**, not just from housing professionals but **inclusive of community voices** and beneficiaries of housing programs. Charlottesville can take concrete steps to bring diverse voices into its decision-making processes, and to build inclusivity throughout its affordable housing infrastructure, including the **Housing Advisory Committee** (pages 64 – 65), **Charlottesville Affordable Housing Fund (CAHF) Committee** (pages 66 – 68), **City Staff** (pages 70 – 71), and nonprofits that receive city funding through a **standardized and competitive process** (pages 73 – 75). This includes both **BIPOC housing professionals and community members**, as well as people who benefit from affordable housing assistance.
- **Metrics** | Key to the successful implementation of the plan will be **ensuring that affordable housing programs are designed and implemented to be accessible** and utilized by all residents including BIPOC. To ensure that programs operated by the City and its partners support racial equity, **City Staff** (pages 70 – 71) should track metrics related to program participants, residents, and impacts, and **disaggregate impact data by race**. The City's **competitive funding process** (pages 73 – 75) should **set targets for inclusive participation and access** and prioritize funding for partners that have demonstrated successes in promoting racial equity and inclusiveness.

The Charlottesville Affordable Housing Plan outlines recommendations to advance each of these critical strategies and to ensure that other recommendations are implemented in ways that reduce racial disparities, promote equity, and mitigate negative impacts to BIPOC in Charlottesville.

Guiding Principles | Regional Collaboration

New page (27) highlights opportunities for regional collaboration

To maximize the impacts of Charlottesville's activities in supporting housing affordability, **the City needs to seek commitments and develop deeper partnerships to replicate changes throughout the city and the urban ring**.

Collaboration with Albemarle County | The County and City are each others' most important partners for improving housing affordability. Each controls land use and public funding policies that are far more effective when used in coordination. Implementing recommendations jointly is central to regional collaboration.

- **Establishing an affordable housing funding agreement** (page 52) **for the urban ring.** Both the City and the County must invest local public funds to improve housing affordability. Given the shared authority and tax relationship between the City and County, investments within the urban ring should be shared. The County and City should establish an agreement to coordinate affordable housing investments to maximize impacts in the urban ring.
- **Aligning changes to multifamily** (page 80 – 81) **and single-family zoning** (page 94 – 96) **within the urban ring.** The urban ring is an important part of Charlottesville's housing market and has significant opportunity to support new housing development. A misalignment of zoning could harm affordability, while aligning zoning within the urban ring would enhance the impacts of recommended zoning changes by further expanding opportunities for housing development and creating a comparable development environment.
- **Including regional representatives in the City's governance**, particularly as voting members of the Housing Advisory Committee (HAC) (page 64), will recognize the County as a critical partner and help to ensure that regional partners continue to be engaged and aligned on affordable housing needs and opportunities for collaboration.

Collaboration with the University of Virginia (UVA) | UVA is the City's largest employer and the anchor institution of Charlottesville. It has the largest obligation to address housing affordability after the City itself. Recognizing that obligation, the University recently made the important commitment to develop 1,000 to 1,500 affordable homes over the next decade. As the University moves forward to meet this commitment, it should do so in a manner that is consistent with this Plan's principles and recommendations.

- **Racial Equity and Governance.** UVA can acknowledge historic and present racial discrimination in housing and seek to address it in the design of its housing programs. The University can develop an **inclusive planning and decision-making process** (page 63) for housing investments by meaningfully including BIPOC and beneficiaries of its housing programs.
- **Deep Affordability.** Recognizing that UVA has raised its wages so that no employees should be below 30% AMI, the University should commit to **affordability targets** for new housing (page 55 – 56) including making at least 80% of homes affordable to households with incomes up to 60% AMI, and the remainder affordable to households up to 80% AMI.
- **Homeownership.** UVA should commit to supporting homeownership as well as rental development, by pursuing **single-family and soft density infill development** (page 145 – 146) and offering **down payment assistance** (page 138 – 139) to employees.
- **Tenants' Rights.** Similar to the City, UVA has the opportunity to ensure that housing developments it supports provide **enhanced tenants' rights** (page 100), such as just cause eviction requirements, mediation agreements, and the right to organize, in University-funded housing developments.

FINAL DRAFT

Funding | Scale and Consistency

New page (49) clarifies the types of funding within the recommended $10M annual allocation of funding

RECOMMENDED CHANGES

The City of Charlottesville should dedicate $10 million per year to invest in housing affordability over the next ten years. This proposed figure of $10M represents *total*—not additional—spending, and it represents *local* spending, not including additional funding provided through state or federal sources. As appropriate, direct subsidy should be centralized and allocated through the Charlottesville Affordable Housing Fund.

The City has historically "spent" close to $2M per year on household tax relief, provided to low-income households through the Charlottesville Housing Affordability Program and to elderly and disabled households through the Real Estate Tax Relief program. This allocation, which supports housing stability for low-income homeowners, should be highlighted within the City's housing budget.

The majority of the $10M should be allocated to direct subsidy. These expenditures include both "**capital**" subsidies used to build and preserve affordable homes, such as financing for public housing redevelopment and single-family infill development, and "**operating**" subsidies provided on an ongoing basis, such as emergency rental assistance and property tax relief. This funding includes the City's current commitments to affordable housing programs including CSRAP and planned new subsidized housing developments. As appropriate, the allocation of these funds should be made **through the Charlottesville Affordable Housing Fund (CAHF) with input from the CAHF committee**.

As part of its $10M annual commitment, the City should set aside $1M in funding each year for administrative costs and capacity building. This is a standard practice for housing departments, programs, and funds. These funds would pay for the personnel required for a variety of tasks: to run a competitive process to award funds; monitor and evaluate impact; enforce compliance; design and develop new housing policies; provide technical assistance for funding recipients to improve their expertise and effectiveness; and provide training for new board members of the HAC, especially those who are community representatives and might not work on housing professionally.

Funding | Scale and Consistency

New page (50) outlines existing commitments the City has made to fund affordable housing in the near term

CONTEXT

The City has already recently made significant commitments for future spending on housing. These commitments effectively fulfill the recommended $10M commitment through 2025.

$40M Capital Improvement Program funding commitment, 2020-2025

Some of these commitments have been detailed in the City's Capital Improvement Program (CIP), which allocates about $40M between 2020 and 2025 towards a number of housing programs.

$5.25M
Rental vouchers through the Charlottesville Supplemental Rental Assistance Program (CSRAP)

$15M
Public housing redevelopment

$17M
Friendship Court project

$3.125M
Housing rehabilitation and residential energy conservation

Other annual housing expenditures, average of historical and projected spending 2020-2025

In addition to these commitments made in the CIP, the City has historically supported other housing programs through tax relief and through other direct subsidies allocated through the City's operating fund.

$1.7M
Average annual property tax relief for low-income, disabled, or veteran homeowners

~$500K
Vibrant Communities Fund, competitively allocated to various housing nonprofits

Funding | Scale and Consistency

New page (51) compares funding commitment from the City of Charlottesville to other cities

CONTEXT

Charlottesville has committed a significant amount of funding for a city of its size. A commitment of $100M over ten years would put Charlottesville in the top tier of cities making strong and lasting commitments to affordable housing.

For the sake of comparison, the table below focuses on only funding used for direct subsidy, excluding property tax relief and administrative costs. Therefore, Charlottesville's commitment shows $70M, excluding an estimate of $10M for administrative costs and $20M for tax relief over ten years.

	Raleigh, NC	Durham, NC	Richmond, VA	Washington, D.C.	Charlottesville, VA
Funding Commitment Size and Sources	**$80M** bond	**$95M** bond (in addition to $65M of existing expenditures, part of **$160M** housing plan)	**$80M** from dedicating tax revenues from properties phasing out of partial tax exemption	**$100M+** through housing trust fund, from transfer taxes and general fund	**$70M** in direct subsidy funding
Time Period	5 years	5 years	10 years	annual	10 years
Population	470,000	275,000	230,000	685,000	50,000
$ Per Capita Per Year	$34	$116	$35	$146+	$140

Funding | Scale and Consistency

Revised page (52) discusses the need to identify stable and equitable sources of funding for housing

RECOMMENDED CHANGES

Charlottesville needs to identify one or more dedicated funding sources to sustain its commitment to affordable housing beyond 2025. Increased spending on housing will require either reallocating funding from other programs within the existing budget, or creating new fees or taxes that expand revenue sources.

If funds cannot be reallocated from other priorities to support ongoing housing programs, the City will need to more closely evaluate potential funding sources. This analysis will need to consider several key factors:

Legality	Revenue potential	Revenue stability	Equity
Is this form of tax or fee legal in Virginia?	How much revenue is this tax or fee estimated to yield on an annual basis?	Does the tax or fee provide a reliable and stable source of funding?	Does the fee's impact on the tax base meet the City's equity goals? Is the tax regressive?

Examples of revenue sources used for housing trust funds elsewhere in Virginia include:

Property tax increase

Additional property tax dedicated to housing

Example: Richmond, VA

Meals tax

Additional tax on restaurant food and beverage sales

Example: Alexandria, VA

Developer contributions

Impact fee on new market-rate residential development

Examples: Alexandria, VA; Fairfax, VA

Charlottesville currently funds its housing programs through general fund and capital fund contributions. Charlottesville already uses these and other revenue sources to fund a variety of programs. **To sustain a $10M annual commitment over time, the City will need to evaluate potential revenue sources** as well as its other policy and funding priorities, such as schools and Main Street improvements, to balance available resources with the City's goals. This evaluation of opportunity and need should **consider the near-term fiscal impacts of COVID-19**, which has impacted some City revenues and intensified funding needs across a spectrum of priorities.

Tenants' Rights | Recommendations

Highlighted text added to clarify recommendation (page 99)

Charlottesville should change local policy and advocate at the state level to expand the City's ability to **support tenants' rights.**

State law limits the actions that Charlottesville can take to advance tenants' rights, but the City can provide enhanced protections for renters for programs in which it provides funding, and advocate at the state level for legislative changes. In particular, the City should implement the following recommended actions and policy changes:

Developments Receiving City Assistance	Require housing developments that receive City funding ***(directly as subsidy, or indirectly through infrastructure improvements)*** to provide **enhanced tenants' rights.**
Right to Counsel	Dedicate funding for the provision of legal services for tenants facing eviction and **establish a citywide right to counsel in eviction cases.**
Just Cause Eviction	Advocate for **enabling legislation to support just cause evictions** and to make other changes to the state's eviction process.
Rent Control	Advocate for **enabling legislation to enact rent control** in Charlottesville.

The remainder of this chapter provides additional detail on recommended policy changes, as well as the implementation needs and anticipated impacts of these changes, and examples of how other communities have used similar tools to support housing affordability.

Minor changes were made to existing tools, and several new homeownership tools were added to the final draft.

Expanded Homeownership Tools

- Employer-Assisted Down Payment Assistance
- Section 8 Voucher to Homeownership
- Local Mortgage Pool with Individual Development Accounts

Subsidy | Recommendations

Highlighted recommendations were added to expand homeownership tools (page 113)

Affordable Homeownership Subsidy | Increase and preserve access to affordable homeownership. These programs serve to build wealth for low-income families and are crucial to support racial equity by mitigating the racial wealth gap.	
Down Payment Assistance	Revise Charlottesville's existing down payment assistance program to provide **a greater level of assistance and serve a larger number of households.**
Employer-Assisted Down Payment Assistance	Encourage and work with major regional employers, like UVA, to develop employer-funded **Down Payment Assistance programs as a benefit for employees**.
Section 8 Voucher to Homeownership	Encourage the Charlottesville Redevelopment and Housing Authority (CRHA) to create the option of and access to **homeownership for Section 8 Voucher users**.
Local Mortgage Pool with Individual Development Accounts	Partner with lenders and nonprofits to **help homeowners succeed** at homeownership.
Single-Family and Soft Density Infill Development	Partner with developers to build and renovate **affordable single-family and "soft density" housing** in existing neighborhoods.
Owner-Occupied Rehabilitation Assistance	Support and preserve homeownership by providing assistance to **income-qualified owners to make necessary home repairs.**
Property Tax Relief	Continue the provision of **property tax relief** to low- and moderate-income homeowners.

The remainder of this chapter provides additional detail on recommended policy changes, as well as the implementation needs and anticipated impacts of these changes, and examples of how other communities have used similar tools to support housing affordability.

Subsidy | Employer-Assisted Down Payment Assistance

Page (138) added for new tool

Encourage and work with major regional employers, like UVA, to develop employer-funded Down Payment Assistance programs as a benefit for employees.

CONTEXT

Large employers—such as universities, hospitals, and private corporations—have an interest in helping their employees live in safe and affordable housing close to work. The City's largest employers include the University of Virginia, UVA Medical Center, Sentara Healthcare, State Farm Insurance, Wal-Mart, and Food Lion, among others.

REC'D. CHANGES

The City of Charlottesville should encourage major employers to create employer-assisted down payment assistance programs. The City should identify large employers with the capacity and interest to support a down payment assistance program for employees, educate leaders about the costs and benefits of such a program—for example, improved worker retention and community relations—and encourage major employers to provide down payment assistance to employees.

IMPACTS

An employer-assisted down payment assistance program would expand wealth-building and housing stability through homeownership for more Charlottesville residents. The program could potentially match public and private funding, both amplifying the impact of public dollars by leveraging private contributions and help employers better attract and retain workers.

GUIDING PRINCIPLES

Racial Equity An expanded down payment assistance program can further mitigate a racial wealth gap. Employer-led programs should seek to proactively serve households to address inequitable access to homeownership resulting from cost barriers and racial inequities.

Regional Collaboration Employers across the region should participate in securing new employee homeownership, including in the urban ring.

Comprehensive Approach Down payment assistance complements renter-focused subsidy programs.

Case Study | Yale Homebuyer Program

The Yale Homebuyer Program was established in 1994 to support Yale employees, including faculty and permanent staff, with $30,000 to $35,000 in (pre-tax) benefits over ten years, to be used towards a home purchase.

Participants must commit to owning and residing in the home for at least two years from the date of closing, and the benefit ends when occupancy ends. Therefore, to receive the full $30,000 to $35,000, participants must reside in the home for ten years.

Between 1994 and 2015, the Homebuyer Program supported 1,134 new homeowners.

Source: Yale University

Subsidy | Employer-Assisted Down Payment Assistance

Page (139) added for new tool

IMPLEMENTATION

Lead and Partners
Housing Staff
Large employers

Action Steps
1. The City will work with local employers to encourage the development of employer-assisted down payment assistance programs.

Timeframe
Near Term (within 18 months)

Funding Needs
No local funding

Subsidy | Section 8 Voucher to Homeownership

Page (140) added for new tool

Encourage CRHA to create the option of and access to homeownership for Section 8 Voucher users.

CONTEXT

The Charlottesville Redevelopment and Housing Authority (CRHA) has considered adopting a Section 8 Voucher to Homeownership Program, which is authorized by HUD. A Voucher to Homeownership program allows for Section 8 housing vouchers to be used towards monthly mortgage payments instead of monthly rent, while requiring that participants pay a minimum 3% down payment. This type of program not only allows low-income voucher holders to access the benefits of homeownership such as wealth-building and housing stability, but also increases voucher holders' affordable purchase price by effectively increasing their income. As of 2017, 10 housing authorities in Virginia offer the program.

RECOMMENDED CHANGES

The City should encourage the CRHA to create a Section 8 Voucher to Homeownership Program. In addition to establishing a program per HUD's HCV Homeownership Regulations, CRHA should:

- Identify collaborating lenders to support a mortgage product that uses vouchers;
- Publicize program eligibility and benefits to households using vouchers, and providing participant households with mandatory homeownership counseling;
- Layer program with complementary programs such as city-provided down payment assistance;

IMPACTS

A Voucher to Homeownership program would increase access to homeownership for the lowest-income households. By increasing the monthly amount that an assisted homebuyer can pay, such a program would increase the value of home they can afford. The program would also extend the impact of complementary homeownership programs such as down payment assistance and single-family infill programs.

Subsidy | Section 8 Voucher to Homeownership

Page (141) added for new tool

GUIDING PRINCIPLES

Racial Equity A Voucher to Homeownership program could help bridge the racial wealth gap for residents at the lowest income levels.

Regional Collaboration Vouchers should be used for home purchases in Charlottesville and within the urban ring.

Comprehensive Approach This program provides residents with the flexibility to user a renter-focused subsidy program to support homeownership goals.

IMPLEMENTATION

Lead and Partners
CRHA
Housing Staff

Action Steps
1. CRHA will establish a local Section 8 Voucher to Homeownership Program in line with HUD and Virginia regulations.
2. The City will encourage participants to also apply for down payment assistance, to further impact of voucher subsidy.

Timeframe
Near Term (within 18 months)

Funding Needs
No local funding

Subsidy | Local Mortgage Pool with Individual Development Accounts

Develop specialty mortgage products and provide supporting services that help low-income homeowners succeed at homeownership.

CONTEXT

Mortgage underwriting standards and practices have greatly restricted access to mortgage financing since the Financial Crisis, particularly among BIPOC and moderate-income households. Many of these adjustments to underwriting practices are viewed as an appropriate response to excessively loose underwriting that contributed to historic foreclosure rates. Unfortunately, in many instances there has been an overcorrection that reinforces racial disparity in homeownership.

RECOMMENDED CHANGES

The City of Charlottesville should work with lenders and nonprofits to develop specialty mortgage products and provide supporting services that better fit the circumstances of BIPOC as well as moderate- and low-income homeowners. Towards this end, a local loan pool drawing from motivated banks, credit unions, major employers, philanthropies, and public funding that originates mortgages that are designed to fit the needs of households who cannot access mortgage financing currently.

- Allow for greater flexibility on credit scores, relying on non-traditional demonstrations of credit ability such as on-time rent payment.
- Eliminate mortgage insurance, an expensive and ongoing cost that penalizes households with less family wealth.
- Lower down payment requirements to a nominal requirement of $3,000 and apply down payment to an individual development account. This approach increases a homebuyer's post-closing liquidity, which significantly reduces risk of foreclosure and is a "win-win" for both buyers and lenders.
- Provide post-purchase ownership housing counseling, such that if a household needs assistance (either requests assistance or misses a mortgage payment), a qualified housing counselor is available to provide advice, and the housing counselor has access to an emergency loan program or similar to help a household stabilize their finances.

A **mortgage loan pool** allows participating financial institutions and funders to jointly fund a program that originates mortgages with favorable terms to help low-income first-time homeowners access homeownership. Such a program both expands options and access for these homeowners, and helps to minimize risk to banks who participate in offering nonconforming mortgages, such as those with lower down payment requirements and other flexible guidelines.

An **individual development account** (**IDA**) is a type of savings account designed to help low-income individuals build assets and achieve financial stability and long-term self-sufficiency. People use IDAs to save money to start a business, pay for education, or buy a home. The JP Morgan Chase Institute found that reducing the amount of down payment while increasing the amount of reserves a household held in the bank to three months greatly reduced the risk of foreclosure.

Source: https://www.jpmorganchase.com/institute/news-events/institute-prevent-mortgage-default

Subsidy | Local Mortgage Pool with Individual Development Accounts

IMPACTS

Expanding access to homeownership through a local mortgage pool and individual development account will increase homeownership among BIPOC and moderate-income households. A well-designed program should be able to revolve the majority of funds invested, leveraging public and private funding to increase impact.

GUIDING PRINCIPLES

Racial Equity This program target and address racial inequities in mortgage lending that have persisted as a form of financial redlining.

Regional Collaboration This program should be implemented at a regional scale, ideally through a broad partnership of lenders and funders.

Comprehensive Approach This program expands and supports homeownership by targeting root sources of high costs and inequity.

IMPLEMENTATION

Lead and Partners

Housing Staff
Nonprofit partners
Local lenders, employers, and regulators

Action Steps

1. Add enhanced services requirement to affordable homeownership loan terms.
2. Establish an action plan (with explicit reporting protocol and detailed services) for mortgage lenders, City staff, and non-profit partners.

Timeframe

Longer Term (within 3 to 5 years)

Funding Needs

Approximately $300 – 500 per household served

Mortgage Pool Case Study | Self Help Secondary Mortgage Market Program

Self-Help is a community development financial institution that has assisted people traditionally underserved by for-profit lenders. One of its programs is an innovative secondary market program formed through a partnership between philanthropy, private for-profit lenders, and Fannie Mae. Under this program, commercial banks provide mortgages with low down payments and flexible guidelines to low-income prospective homebuyers who otherwise cannot access conventional financing. Self-Help then purchases these mortgages from banks and sells them directly to Fannie Mae, with the promise it will cover the cost of most defaulted loans, with the help of philanthropic funding. In return, banks will commit to continuing to relend this money to an equivalent number of low-income homebuyers.

Source: Self-Help Credit Union

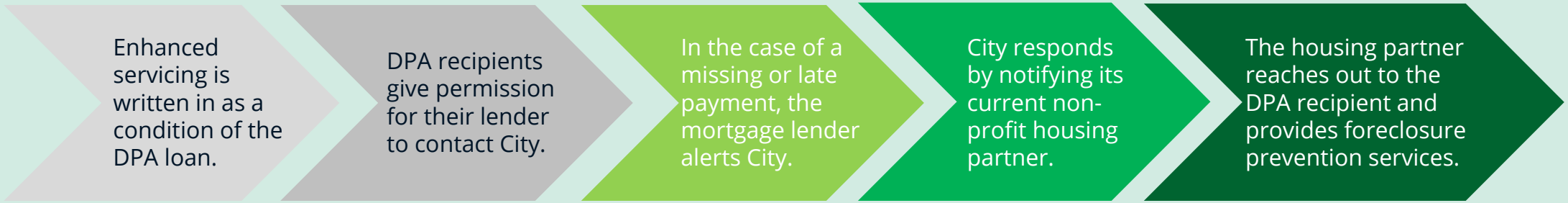
Subsidy | Local Mortgage Pool with Individual Development Accounts

Enhanced Servicing

Financial literacy and counseling services often end after homebuyers receive their mortgages. Counseling is particularly limited for "credit-ready clients" who are only required to take HUD's eight-hour workshop and do not receive personalized, continuous services through a tailored program. This poses a challenge for many first-time homebuyers, who may not be aware of the heightened maintenance obligations they have as homeowners. These new homeowners would likely benefit from long-term help as their properties age and the hidden costs of homeownership become challenging.

The City of Charlottesville should work to offer enhanced servicing for its Down Payment Assistance program. If a buyer falls behind on their payments, their mortgage lender would be allowed to notify the City. The City would then notify the vendor administering DPA, so the vendor could contact the homeowner to identify issues, provide homeowner support services, and help to prevent foreclosure.

Throughout the country, similar programs have been utilized to help new homeowners navigate the full cycle of the lending process. Successful strategies include first year follow-up requirements that provide a designated time for households to meet with housing counselors to proactively discuss any challenges they've encountered. This follow-up session is a chance for counselors to advise residents on alternatives to high-risk forms of credit that are newly available to them as homeowners.


Enhanced servicing is written in as a condition of the DPA loan.
DPA recipients give permission for their lender to contact City.
In the case of a missing or late payment, the mortgage lender alerts City.
City responds by notifying its current non-profit housing partner.
The housing partner reaches out to the DPA recipient and provides foreclosure prevention services.

The final plan clarifies, strengthens, and adds language about how recommendations relate to vulnerable populations and energy costs

Additional Detail about Vulnerable Populations and Energy

- Programs that serve seniors & adults with disabilities
- The link between housing costs and energy costs & programs to support energy efficiency

Housing Challenges

Highlighted text added to acknowledge that some topics tied to housing affordability may be addressed through other plans (page 36)

Charlottesville is experiencing a growing housing crisis as residents are increasingly unable to afford living within the city. To evaluate the city's affordable housing need, a multi-part analysis of the existing affordable housing landscape in Charlottesville was conducted. This effort involved a series of stakeholder interviews, an evaluation of demographic and market conditions, a thorough review of current housing programs and policies, and builds on the Housing Needs Assessment conducted by the City. Through this process we identified key housing challenges that informed the recommendations within this plan. These key challenges are:

Zoning and Land Use | The City's current land use policies constrain the supply of housing. In addition, the predominance of single-family zoning is a legacy of exclusionary zoning practices.

Housing Supply | Driven in part by zoning and land use, the City's housing supply has lagged population growth, resulting in rising home prices. Limited opportunities for greenfield development further constrain the supply of housing.

Rental Affordability | Over 2,700 renter households in Charlottesville currently pay more than 50% of their income on rent and utilities. The majority of these households earn less than $35,000 a year.

Displacement | Rising prices and limited affordable housing options appear to be displacing low-income residents from Charlottesville.

Housing Instability and Homelessness | Housing instability creates challenges for all members of a household, and continued housing instability can lead to homelessness.

Racial Inequity | Black residents disproportionately face housing affordability challenges, including disparities in homeownership, even when accounting for disparities in income.

Low and Stagnant Wages | Despite growing median incomes, the median renter still cannot afford the median rental unit.

Impacts of COVID-19 | The economic impact of COVID-19 has exacerbated housing affordability challenges across the country, including in Charlottesville.

Transportation costs, income, energy costs, environmental quality, and other factors are also closely tied to housing affordability, however the Affordable Housing Plan does not make recommendations to address these challenges directly. These items will be assessed further in the Comprehensive Plan as well as in the Climate Action Plan.

Sources: City of Charlottesville Open Data; U.S. Census 2010 - 2018 American Community Survey 5-Year Estimates; Federal Reserve Economic Data; 2014-2018 Public Use Micro-Survey (PUMS) 5-Year Data for the Public Use Microdata Area containing Charlottesville

Subsidy | Acquisition Fund

Highlighted text added to strengthen link to energy efficiency (page 120)

Dedicate funding to **support the preservation of existing affordable housing** in Charlottesville.

CONTEXT

Crucial to maintaining an affordable housing inventory is preserving the affordability of existing unregulated low-rent housing, often referred to as naturally occurring affordable housing (NOAH). Particularly in markets with constrained supply, low-rent market-rate housing often sees the highest rates of rent growth. In Charlottesville, there are an estimated 2,260 homes of low-rent homes (renting for below $1250), and the city is at risk of losing 644 LIHTC homes in the following decade as they reach the end of their compliance periods.

RECOMMENDED CHANGES

The City should support the development of an acquisition fund to provide permanent, long-term financing for older, market-rate properties to make modest repairs and maintain their affordability. The success of a preservation program depends on attracting low-cost private financing to leverage public funding, and identifying development partners who are interested and capable of executing a preservation development model, such as the CRHA. Most developers, both for-profit and nonprofit, are dependent on developer fees or the sale of a property to generate revenue. Preservation projects generally are not sold and come with small or no developer fees making them unworkable for many developers.

IMPACTS

Preserving affordable homes is a cost-effective and necessary means of preventing displacement and ensuring the long-term housing stability of low-income renters. The cost to preserve an existing affordable home is far lower than the cost to develop new affordable housing. Moreover, opportunities for new development in Charlottesville are limited, making preservation more important.

Using the acquisition fund to make investments into building energy retrofits, such as weatherization and appliance efficiency, can further improve affordability by also reducing energy and utility costs.

Acquisition funds replace the equity of profit-motivated ownership with public and mission-based capital that does not require the same rate of rent growth. These funds help to achieve the following:

✓**Lower relative costs:** Acquisition costs for NOAH homes is typically 25-30% less than new construction.
✓**Optimize location:** Acquisition of existing buildings allows administrators to site affordable housing near major transit lines and employment centers where land is scarce.
✓**Prevent displacement:** This approach maintains residential stability and does not require any demolition of homes for new construction.
✓**Target workers:** Administrators can stabilize housing for middle-income residents which are not often served by affordable housing developers.
✓**Speed**: Acquiring a multifamily building and ensuring its affordability is much faster than building new homes, but it does not increase housing supply.

Subsidy | Owner-Occupied Rehabilitation Assistance

Support and preserve homeownership by providing assistance to **income-qualified owners to make necessary home repairs.**

CONTEXT

Nonprofit partners including Albemarle Housing Improvement Program (AHIP) and the Local Energy Alliance Program (LEAP) administer housing rehabilitations for low-income homeowners in Charlottesville and Albemarle County. AHIP's program assembles public and philanthropic capital to make home repairs for low-income households. Older homes occupied by lower-income households can reach a state of disrepair that would risk occupant safety, and major upgrades such as roofing and insulation can significantly benefit owner safety, comfort, and utility costs. AHIP currently targets an average of 20 significant rehabs a year, at $40K each; 10 energy retrofits, at $5 to 10K each; and 15 emergency repairs, at $3,500 each. LEAP's program focuses on weatherization retrofits for low-income households and seniors.

RECOMMENDED CHANGES

The City should continue to provide funding for owner-occupied rehabilitation (OOR) for low-income households.

- To allow for improved program capital planning, the City should commit a stable stream of funding on a 3- to 5-year schedule, and allocate funds through a competitive, transparent process.
- Support the long-term affordability of properties that receive significant public funding (see right).
- The owner-occupied rehab program should be aligned and paired with the down payment assistance and shared equity homeownership program.

IMPACTS

Continued support for owner-occupied rehab will improve housing quality and safety for homeowners, while also preventing displacement from homes due to an inability to pay for maintenance or repair. Energy retrofits can further support affordability by lowering household utility costs, which can be a substantial cost burden for lower-income households. Committing consistent funding to this program and coordinating its implementation with other homeownership support programs will increase the impacts of the City's overall efforts to create and support affordable homeownership.

Owner-occupied rehab is particularly important to address the needs of elderly residents seeking to age in place in their homes, and of people living with disabilities who require special accommodations.

Preserving Affordability

To support the preservation of affordability, the City should record a lien against a property receiving OOR if the value of repairs exceeds $20,000. The lien should be equal to 90% of the cost of the repairs, with a 10% forgiveness to make sure that the lien does not exceed the value of the repairs. The lien should be at 0% interest with no payments. At the sale of the house, income-qualifying households earning less than 80% should have the right to first offer for the property. If the house is sold to them, then the lien transfers; if the house is sold to a higher-income owner, it is due in full through the sale proceeds. This program feature will encourage the sale of properties that have received public funding to lower-income homebuyers.

Highlighted text added to strengthen link to energy efficiency (page 148)

Subsidy | Owner-Occupied Rehabilitation Assistance

GUIDING PRINCIPLES

Racial Equity This project should be structured to ensure that BIPOC homeowners do not have barriers to access. This could include working with community groups in neighborhoods with high BIPOC homeownership to market the program.

Regional Collaboration To support regional collaboration, nonprofit providers should continue to also rehab homes outside of Charlottesville, especially where doing so is cost-effective.

Comprehensive Approach Helping low- and moderate-income homeowners maintain the quality and safety of their homes is an important complement to more renter-focused subsidy programs and will help to mitigate displacement pressures that may be created by land use policy changes. Rehabilitations that involve energy retrofits will further support owner comfort and save on utility costs, while advancing the City's climate action goals.

IMPLEMENTATION

Lead and Partners
Housing Staff
Nonprofit providers
CAHF Committee

Action Steps
1. Pending CAHF Committee recommendation, the City will dedicate funding for OOR.
2. The City will select a nonprofit partner through a competitive process to administer the OOR program.

Timeframe
Near Term (within 18 months)

Funding Needs
Approximately $25K of local funding per retrofit, layered with $10 to 15K of philanthropic funding, for a price of $35 to 40K per retrofit

To clarify the key implementation steps for recommendations throughout the plan, the final draft includes a summary of implementation

Implementation Summary

- Snapshot of implementation steps and timing for recommended actions
- Summary of anticipated impacts

Executive Summary | Snapshot of Implementation

New page (18) summarizes implementation over time

The following snapshot provides a summary of the recommended timeframe of implementation for the Governance, Funding, and Housing Tool recommendations, beginning with the adoption of the Charlottesville Affordable Housing Plan.

Overall, this timeline emphasizes immediate governance changes within 6 months, in tandem with the completion of the Cville Plans Together process including anticipated changes to the City's zoning code. Over the following year, the City would then undertake recommended changes to existing tools and initiate the implementation of new tools, guided by its new governance structure and with steady, committed, competitively allocated funding. Over the following several years, the City would continue to improve the impact of existing tools, fully implement new programs, and explore additional ways to pursue regional collaboration.

	Within 6 months	Within 18 months	Within 3 to 5 years
Governance	• Reform structure of Housing Advisory Committee (HAC) to broaden representation and focus mission • Establish a representative Charlottesville Affordable Housing Fund (CAHF) Committee to oversee funding allocations and priorities • Increase City staff capacity and identify development liaison(s)	• Ramp up CAHF Committee capacity to establish and implement clear, transparent and competitive process of awarding grants • Adopt a conflict-of-interest policy for CAHF Committee members	• Explore ways for HAC, or similar entity, to become a regional body that serves and represents the City and County
Funding		• Identify sustainable and reliable source(s) of funding to sustain $10M annual commitment over 10 years, including an evaluation of the legality, potential scale, stability, and equity impacts of different revenue sources • Target funding to high-priority subsidy tools	• Target funding to additional subsidy tools • Build out mechanisms to collect, interpret, and communicate data on housing spending and the impacts thereof • Explore establishing a regional affordable housing funding agreement to pool City and County funding sources

Executive Summary | Snapshot of Implementation

New page (19) summarizes implementation over time

The City of Charlottesville should take the following actions to implement housing tools over the near and long term:

	Within 6 months	Within 18 months	Within 3 to 5 Years
Land Use	• Through the Cville Plans Together process, work with Charlottesville community to understand the impacts of and identify suitable areas for zoning changes, such as for **multifamily by-right, soft density by-right,** and **inclusionary zoning** • Develop and deploy education campaign on zoning recommendations in preparation for the zoning code rewrite.	Adopt zoning code revisions as recommended by Cville Plans Together: • Enact zoning changes within Charlottesville and the urban ring, aligning subdivision ordinances as needed • Revise the **accessory dwelling unit** ordinance to support affordable ADUs • Adjust City development review and approvals processes to align with recommendations	
Tenants' Rights		• Require guarantee of **tenants' rights for developments receiving City assistance** (directly as subsidy, or indirectly through infrastructure improvements) • Design, fund, and implement a legal services program for residents facing eviction • Advocate for enabling legislation at the state level to support **just cause eviction** and **rent control**	• Continue to strengthen tenants' rights policies as is legally feasible, including through ongoing advocacy at the state level
Subsidy	• Continue provision of **tenant-based vouchers** • Continue provision of **property tax relief** • Establish goals and funding commitments for **CRHA public housing redevelopment**	Per CAHF Committee recommendations, formalize, allocate funding to, and competitively select nonprofit partners for existing programs: • Formalize funding process for **LIHTC development gap loans** • Formalize program for **emergency rental assistance**, in continuation of COVID-19 efforts • Increase impact of existing homeownership programs, including **down payment assistance, single-family infill development, owner-occupied rehab** Begin conversations with partners to create additional homeownership programs, including **employer-assisted down payment assistance** and a CRHA-led **Section 8 Voucher-to-Homeownership program**	Implement new tools: • Establish **land bank** • Form **local mortgage pool** with individual development accounts • Create an **acquisition fund** to preserve market-rate housing and subsidized housing with expiring affordability Work with local employers and CRHA to fully establish employer-assisted down payment assistance programs and a Section 8 Voucher-to-Homeownership program, respectively

Executive Summary | Snapshot of Impact

Revised funding page (20) summarizes impacts of recommendations, included in executive summary

What could be achieved with $100M in investments over 10 years?

With $10M in average annual spending over ten years, Charlottesville could grow its existing stock of subsidized homes by nearly 70 percent, preserve nearly 40 percent of existing subsidized housing at risk of becoming unaffordable or obsolete, *and* provide direct assistance annually to up to 2,000 households facing housing instability.

The resulting level of production shown is only possible if funds are used efficiently and leverage private investment as well as state and federal resources—and, to this end, it will be essential to thoroughly underwrite all funding awards. Combining the subsidy tools represented here with land use reform and tenants' rights tools will potentially decrease costs and expand program benefits, further increasing the impact of public dollars. Of the other tools, inclusionary zoning would directly contribute to the production of additional homes, which are not included in the estimate below.

Estimated impact of $100M in spending over 10 years

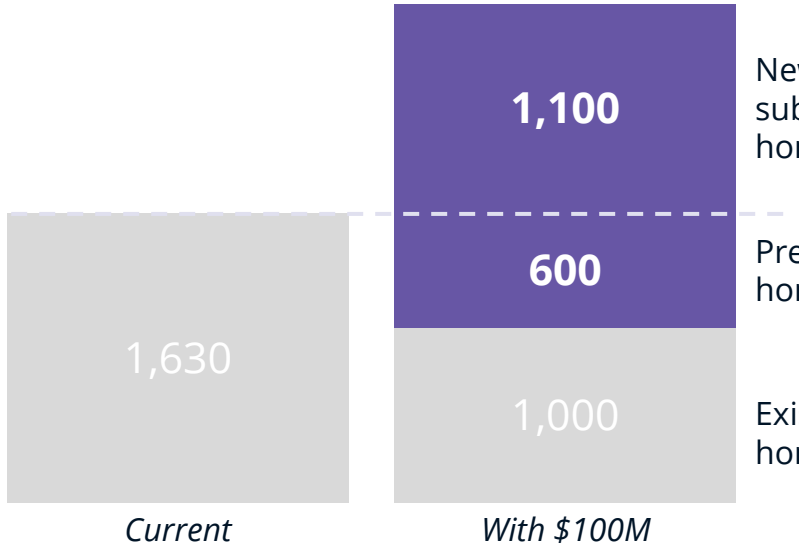
These impact figures assume the following costs:

- For newly subsidized homes, between $35K to $50K per home for new construction, up to $50K for down payment assistance, and approximately $25K for owner-occupied repairs
- For preserved homes, up to $20K through an acquisition fund, and between $45 to $50K per public housing home
- For stabilized households, annual costs of up to $1,500 for property tax relief, $5K for emergency relief, and $9K for vouchers

These numbers represent one potential distribution of funding—the actual impact will depend on City Council's final funding allocations, informed by recommendations by the CAHF Committee.

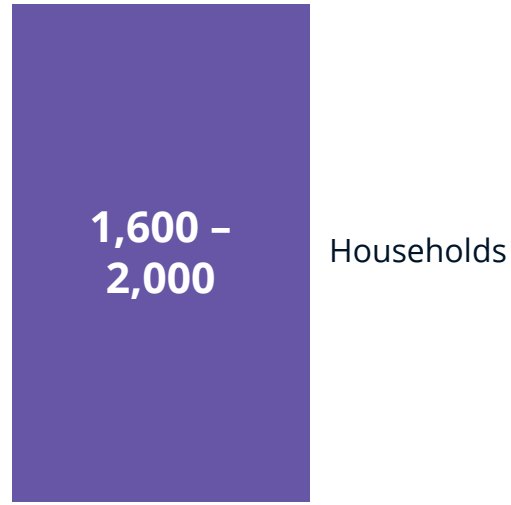
Change in Subsidized Homes

Through programs such as LIHTC gap financing, public housing redevelopment, single-family infill



Households Stabilized Annually

Through programs such as property tax relief, emergency rental assistance



CITY OF CHARLOTTESVILLE AFFORDABLE HOUSING PLAN

Planning Commission Presentation

February 9, 2021

HR&A Analyze. Advise. Act.